

Special Master Robin Wilcox
459 Columbus Avenue, #603
New York, NY 10024

December 29, 2006

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U.S. DISTRICT COURT E.D.N.Y.
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BROOKLYN OFFICE

The Honorable John Gleeson
United States District Court
Eastern District of New York
225 Cadman Plaza East
Brooklyn, New York 11201

Dear Judge Gleeson:

The Audit of Garden City Group

By order dated November 11, 2006, this Court "directed Lead Counsel and Special Master Wilcox to confer and to propose to the Court by December 29, 2006, a statement of work for an audit of the Garden City Group, unless that date is extended upon the application of the Special Master." The order further stated that "[o]nce the statement of work [for the audit] is approved by the Court, the Special Master and Lead Counsel will be tasked with retaining a qualified auditor."

On December 14, 2006, I attended a meeting at Lead Counsel's New York offices. Also present at the meeting were Lloyd Constantine, Esq., Stacey Anne Mahoney, Esq. Amy Roth, Esq., participated by telephone. During the December 14, 2006 meeting, Mr. Constantine described his firm's ongoing efforts to contact and interview potential auditors. He stated that, in the process of conducting those interviews, his firm has made preliminary inquiries regarding what should appear in an appropriate statement of work. Mr. Constantine gave me an overall description of the responses he has received to this query. Mr. Constantine stated that, as a result of this process, Lead Counsel hopes to provide a recommendation to this Court regarding an appropriate auditor soon. We agreed that I would play a role in the ongoing interview process.

By letter to me dated December 27, 2006, and attached hereto as an Exhibit, Ms. Mahoney stated, among other things, that Lead Counsel is "hopeful that [it] will be able to provide [the Special Master] and the Court a recommendation regarding an appropriate auditor by the end of January 2007." Ms. Mahoney therefore "request[ed] a brief extension of time to enable [Lead Counsel] to provide that recommendation based on a more fully informed analysis of the potential auditor candidates."

I believe that Lead Counsel and I will be able to draft a more useful statement of

work if we receive the input and assistance of an experienced auditor in so doing. Accordingly, I respectfully request that this Court allow us to continue the process of interviewing potential auditors with a view toward submitting a recommendation to the Court on or before January 31, 2007. I further respectfully recommend that, once an auditor is retained, this Court allow Lead Counsel and I to consult the auditor in drafting the statement of work, and therefore that this Court extend the deadline for the submission of a statement of work for an audit of the Garden City Group to February 23, 2007.

Lead Counsel's Future Fee Applications

This Court's November 11, 2006, order directed me "to place Lead Counsel's fee requests on a regular schedule." The Court also "directed [Lead Counsel] to provide to Special Master Wilcox a budget prior to the commencement of each pay period, setting forth the expected fees and disbursements for the period." The order stated that "the form and content of Lead Counsel's budgets shall be left to the discretion of the Special Master, who may choose to seek the input of Lead Counsel on those subjects before making her final determinations." Finally, this Court ordered me to "report to the Court on the status of this issue on or before December 31, 2006."

We discussed these matters during the December 14, 2006 meeting at Lead Counsel's offices. Among other things, Mr. Constantine and Ms. Mahoney informed me that much of Lead Counsel's ongoing work in connection with this matter relates to claim administration. Mr. Constantine and Ms. Mahoney also informed me that, although, for the purpose of creating yearly budgets, Lead Counsel will be able to anticipate many of the tasks to which it will devote future efforts, some such tasks will, by their nature, be unforeseeable, and therefore not a part of the budgets Lead Counsel will submit. As an illustration of these latter tasks, Lead Counsel cited the Spectrum litigation.

With respect to Lead Counsel's fee and expense budgets and applications, Ms. Mahoney's December 27, 2006 letter to me states as follows:

Regarding Lead Counsel's future fee applications, Lead Counsel agrees that such should be submitted on a regular basis. Lead Counsel accepts Judge Gleeson's suggestion that future fee applications be submitted once a year. Assuming that this schedule is acceptable to [the Special Master] and the Court, the next fee application would cover July 2006 through June 2007 and would be submitted in July 2007. Likewise for the following year, and so on, as needed.

Regarding the suggestion that a budget be prepared prior to the commencement of each pay period, Lead Counsel would appreciate an opportunity to submit such a budget by the end of January 2007 that would cover the on-going July 2006 through June 2007 period. The brief extension would enable us to consult more fully with the consultants who continue to provide services to the Class and would enable us to provide you with more accurate information. We would propose that in the future,

such a budget would be submitted at or around the time of any future fee application, i.e., July 2007, and that such a budget would cover the anticipated expenses for the following year, i.e., July 2007 through June 2008.

I accept Lead Counsel's request that it be allowed to submit all future fee applications on a yearly basis. I direct that the first such application be submitted on or before July 31, 2007 and that it cover all fees and expenses arising during the period July 2006 through June 2007, that the next application be submitted on or before July 31, 2008 and that it cover all fees and expense arising during the period July 2007 through June 2008, and so on, until Lead Counsel is no longer incurring any fees and expenses in connection with this matter. I also direct Lead Counsel to submit a budget on or before July 1 of each year, with each such budget to cover anticipated fees and expenses for the following fee and expense period. Finally, with respect to the current fee and expense period (i.e., the period from July 2006 through June 2007), I hereby direct Lead Counsel to submit, on or before January 31, 2007, a budget along the lines discussed during the December 14, 2006 meeting. I will review this budget upon receipt and seek clarification and/or additional information from Lead Counsel if, in my view, further detail is necessary. In my opinion, this first budget – as well as my comments, if any, thereto – will provide an adequate guide for the drafting of all future budgets.

Respectfully Submitted,

Robin Wilcox

cc (by facsimile): Lloyd Constantine, Esq.
Stacey Anne Mahoney, Esq.
Amy Roth, Esq.

EXHIBIT
to December 29, 2006 Letter of Special Master to Hon. John Gleeson